A few months ago the Obama administration put out a "white paper" on potential outcomes for the demise of Fannie Mae and Freddie Mac.

There was much debate about it at the time, but since then there's been something of a calm after the storm.

Republicans made it clear they want government out of the mortgage business, and democrats just the opposite; hence the quiet.

Now comes a bi-partisan bill from a California Republican and a Michigan Democrat, that could be the first to get some real traction.

Rep. John Campbell (R-California) and Rep. Gary Peters (D-Michigan) are looking to keep the government as a backstop to the mortgage market, an a very measured and limited way. Their bill (HR 1859) does away with Fannie and Freddie and replaces them with no fewer than five "government-chartered" entities. These would securitize mortgages, as Fannie and Freddie do, with a government guarantee. To pay for that guarantee, the entities would pay the government a fee, as well as be required to follow certain strict standards of underwriting and loan size. The entities would also have to hold on to far more capital than Fannie and Freddie do.

The idea is to get private capital back into the mortgage market. Currently about 90 percent of all loans are backed by the government through Fannie, Freddie and the FHA. This as Fannie and Freddie continue to build a tab with taxpayers that now stands at $138 billion.

The first reaction from the mortgage bankers was, dare I say, safe: "The bipartisan legislation introduced by Congressmen Campbell and Peters to reform our secondary markets closely mirrors the proposal of MBA's Council on Ensuring Mortgage Liquidity, which was the first to put forward a comprehensive blueprint for the future of our housing finance system," wrote Michael Berman, Chairman of the Mortgage Bankers Association.

But let us not forget that reforming the mortgage market is as political as it is financial, and so I found the reaction from Washington policy analyst Jaret Seiberg of MF Global particularly pertinent. He argues that this type of legislation is exactly what could eventually emerge from Congress because it appeases the industry and the general home buying public. It produces revenue for the government in the form of the fees the entities would pay, preserves the 30-year fixed mortgage, helps the Realtors, the home builders and the mid-sized banks and even gives mortgage insurers a role for borrowers with less than 20 percent to put down.

But…

For us, the problem here is that the bill is too early in the political fight.

In effect, this legislation preserves Fannie and Freddie as we will have government-sponsored enterprises issuing MBS with government backing.

We do not believe the political environment is favorable for such a vote. Put another way, it will be hard for many Republicans to support this approach. That is why it may be several years before this type of legislation can garner sufficient support. In addition, we do not believe that House GOP leaders are willing to support this type of legislation. That means there is little chance of it getting a vote on the House floor.

In other words, you can discuss it all you want…and I hope you will here on the blog…but until the housing market stabilizes and consumers and politicians alike feel confident that home ownership will rise again, nobody is going to make a move, or at least a move that will result in substantive change.